

Unlocking the Future

Better communication up and down the segments of the beef industry will open more doors of opportunity for beef producers.



DAVID PETERSON PHOTO

University Extension specialist Don Boggs says there are two keys to increasing beef's market share: As an industry we need to produce a more cost competitive product and develop more convenience products for consumers to prepare and serve.

Listening to consumers and deciphering what they want are of utmost importance if producers want to increase beef's market share. Stepping in as mediators to help producers meet consumer demands are university Extension specialists.

Don Boggs, South Dakota State University (SDSU) Extension beef specialist, says to capture true consumer demand it's important to cut out the middle people who are in the lines of communication.

This is one professor with real world experience. Don grew up on a grain and livestock farm in central Illinois. His involvement in 4-H and

FFA sparked his love for agriculture.

After receiving his bachelor's degree from the University of Illinois he decided to further his education by getting a master's degree at Kansas State University and a doctorate at Michigan State University.

Don spent six years at the University of Georgia where he did beef nutrition research and coached the livestock judging team. For the last eight and a half years he's been at SDSU. In his position he interacts with South Dakota beef producers on a daily basis helping them unlock their future in the beef business.

On the side, Don and his

family also have a small Angus herd. When starting their herd in 1985, he chose Angus because of their milking and mothering ability. He also likes Angus because they are problem free and functional.

Don foresees the beef industry becoming less of a commodity business and more of a product business — moving from a generic product to one with a name that producers stand behind.

Another change he predicts is producers will become more input-oriented. For the last 20 years the industry has been output-oriented, focusing on pounds weaned, he says.

To be competitive in the future producers will have to consider both sides of the equation. What comes out is a function of what goes into an animal.

He says carcass quality is going to become a more important economic incentive for commercial producers, even if they are selling calves at the sale barn. Feedlots and order buyers are going to demand cattle that will work in the feedlot and on the rail.

In the past, cow-calf producers who made a change in carcass genetics were paid little return when they sold calves at weaning. That may not be the case in the future.

"We're going to see carcass merit become more important to their bottomline. Producers will have to focus on producing more than just calves that are healthy and will grow well," Don says.

Increased return will revolve around knowing your product and providing information to your customers, he adds. Whether you're a commercial cattle producer selling to a background or feedlot, or retaining ownership to the packer stage, or if you belong to an alliance program where you market all the way to the consumer, to get paid a premium you'll have to market your product providing data to your customer.

Seedstock producers need to provide genetic and performance information to their commercial buyers and so on down the marketing line.

Beef producers have a variety of marketing tools available to them.

"As people spend money for genetic improvement," Don says, "they are going to have to do more marketing to capture the value they're building. When selling their cattle, as

opposed to offering them for sale, they will have to actually merchandise them at the commercial level.”

Commercial producers may need to implement the same type of marketing and promotional methods that seedstock producers use. Another option would be capturing the value themselves in a retained ownership program.

Don says it's important to investigate the opportunities before diving in. He suggests looking at futures and options as a form of risk protection. Using these marketing methods can lock in prices and input costs.

“You're expanding your opportunity to capture that potential, but you are also expanding risk,” Don says about retaining ownership. “As producers evaluate these extended ownership options they've got to have a good handle on the level of risk they can withstand and what options are available to manage their risk.”

The tools are available for value-based marketing but there is still resistance within the industry. “If someone knows the value of their livestock and uses that in marketing and merchandising there is an opportunity to capture some of the value,” he says.

Producers who can document the performance and quality of their cattle in the future will get paid for genetic superiority. Value-based marketing or selling on the grid shifts the risk from the packer to the producer.

Don cautions producers to know what their product will do before retaining ownership. “From the information we've seen from steer feedouts, cattle fall into thirds. One-third will make money, one-third will lose money and one-third will break

even in a retained ownership program. You better know what third you will be in before extending ownership -the key is knowing your product,” he says.

Another marketing opportunity is joining a carcass alliance. To help commercial producers market their cattle a variety of carcass alliances have been developed. Don says the industry will continue to see more alliances developed that are led by seedstock producers helping their customers capture the value of the calves they are producing.

Being involved in the cattle business is not an easy profession. Don says there are four characteristics of a good cattle producer. They are:

- A good business person
- Honest
- Loves the land and livestock
- A life-long learner — willing

to use new technologies and know how to gain new information on technology and advancements.

Along with those characteristics is the ability of sorting through information and determining what applies to their operation and how they can use the different tools to affect their operation in a positive manner.

In today's information age beef producers also need to develop computer skills and know how to access the Internet.

There are a lot of technologies available within the beef industry. Don says all those tools have a place in some operations, but few have a place in all operations.

“You have to sort through the information and find what tools are important to your operation and customers,” he says.

To learn more about the opportunities in management and marketing it's important to develop a network of producers who have similar operations and goals. Don suggests using the people around you as resources so you don't have to be current in all the technologies. These people could be seedstock producers, commercial producers, veterinarians, bankers, university specialists or other agribusiness professionals. You can utilize their expertise and have them help you evaluate opportunities in an unbiased manner.

As the beef industry enters into a new millennium, producers need to be ready to make the changes necessary to compete with the pork and poultry industries. All facets of the beef industry will have to work together and communicate if beef wants to be No. 1 at the meat counter.

| GRADING THE INDUSTRY | |
|---|--|
| Communication between seedstock and commercial cattle producers | B- |
| Communication between producers and feeders | C |
| Communication between producers and packers | D |
| Communication between producers and consumers | C+ |
| Industry marketing methods | opportunity for A but more doing C or D |
| Management/animal husbandry methods | B- |
| Food safety | B |
| Environment | C- |
| Efficiency | C |
| FAMILY: | |
| wife, Rosemary, daughters, Katie, 14, Theresa, 13 | |
| ATTENDANCE/ORGANIZATIONS BELONG TO: | |
| Beef Improvement Federation — Central Region Secretary | |
| National Cattlemen's Beef Association | |
| South Dakota Angus Association | |
| American Angus Association | |